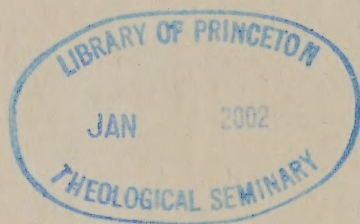


Christianity and
American Capitalism

by

REV. EDWARD A. KELLER, C.S.C.



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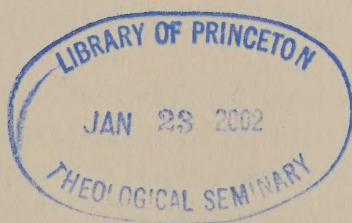
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Christianity and American Capitalism

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Foreword

by

MOST REVEREND JOHN FRANCIS O'HARA, C.S.C., D.D.

Archbishop of Philadelphia

and

Former President University of Notre Dame

Pope Leo XIII wrote his immortal encyclical "Rerum Novarum" in 1891; Pope Pius XI published his historic "Quadragesimo Anno" in 1931. Since these illustrious pontiffs penned their immemorial encyclicals, times have changed radically.

His Holiness Pope Pius XII, keenly aware of the social problem in all its modern aspects has written extensively on social doctrine. His statements, therefore, are truly a "Sequel" to the Social Encyclicals of his predecessors. In his "Sequel" His Holiness interprets, amplifies and expounds encyclical teaching in the light of changed modern conditions and gives authoritative answers to many controverted points of encyclical doctrine.

The 1952 Christmas Message of His Holiness is one of the most important social documents of modern times. In it, His Holiness courageously attacks the "modern superstition" of a complete socialization which

depersonalizes the individual and reduces him to the level of a nonentity, devoid of liberty, personality and conscience.

Father Keller in his application of social doctrine of the Church to the United States gives his personal interpretation of the social doctrine. He does, however, raise many logical doubts concerning the interpretation of some Catholic social scientists, who seem to approve the "modern superstition" and who in their own personal interpretation of encyclical teaching make "co-management" the heart of the Church's social doctrine.

It is our hope that such a frank discussion of the social problem as Father Keller's will stimulate serious study of the very difficult problem of the correct interpretation of encyclical teaching and its application to the United States.

✕ *John F. O'Hara, C.S.C.*

Introduction

The Catholic Church over the centuries has given expression to policies through official statements of the Popes called "encyclicals." Two of these, that of Pope Leo XIII, promulgated in 1891 and that of Pope Pius XI released in 1931 set down the official social doctrine of the Church.

There is much confusion regarding the interpretation of the Social Encyclicals, especially regarding their application to the social structure in the United States. This confusion has caused bitter debate which has served no good purpose. Such controversy is unfortunate because it hinders acceptance of the social doctrine of the Church which is the answer to a definite need for a constructive program of cooperation in the United States. Pope Leo XIII stated:

"The problem is difficult to resolve and is not free from dangers. It is hard indeed to fix the boundaries of the rights and duties within which the rich and the proletariat—those who furnish material things and those who furnish work—ought to be restricted in relation to each other. The controversy is truly dangerous, for in various places it is being twisted by turbulent and crafty men to pervert

judgment as to truth and seditiously to incite the masses." (Rerum Novarum, par. 4.)

The correct approach to the problem is to show what the Social Encyclicals do *not* teach as well as what the social doctrine positively proposes in its program of social reconstruction. While this approach may seem too negative it is necessary because it is the only way the bitter controversy concerning encyclical interpretation can be eliminated.

His Holiness Pope Pius XII has written extensively on the social problem in recent years. These papal statements condense in crystal clarity the official position of the Catholic Church on economic and social problems. However, because these encyclicals are statements of principles and written for the world and not specifically for any one nation, there is a difference of opinion regarding their application to a particular country.

The treatment of the Church's social doctrine in this treatise is admittedly selective. Originally it was presented as an address before The Council of Business and Professional Men of the Catholic Faith. This address has been broadened and amplified to provide the text for this book.

Only the broadest outlines of encyclical teaching have been sketched and only the more important problems have been highlighted. The author accepts full responsibility for his interpretation of social doctrine and his application of it to the United States.

Edward A. Keller, C.S.C.

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Christianity and
American Capitalism

CHAPTER I

SOCIALISM

THE MANIFEST TREND IN THE UNITED States toward Socialism makes it essential to stress the teaching of the Social Encyclicals on this point. The unequivocal condemnation of Socialism, even in its non-violent form of Fabian Socialism, should make Catholics cautious in accepting social policies which are socialistic in design or purpose. Pope Leo XIII stated:

"From all these conversations, it is perceived that the fundamental principle of Socialism which would make all possessions public property is to be utterly rejected because it injures the very ones whom it seeks to help, contravenes the natural rights of individual persons, and throws the functions of the State and public peace into confusion." (*Rerum Novarum*, par. 23)

Forty years later, in language equally clear and decisive, Pope Pius XI in his historic "Quadragesimo Anno" points out there can be no compromise between Socialism and Christianity. He stated:

"Now if these false principles (of Socialism) are modified and to some extent erased from the program, the question arises, or rather is raised without warrant by some, whether the principles of Christian truth cannot perhaps be also modified to some degree and be tempered so as to meet Socialism half-way and, as it were, by a middle course, come to agreement with it. There are some allured by the foolish hope that socialists in this way will be drawn to us. A vain hope!

Those who want to be apostles among socialists, ought to profess Christian truth whole and entire, openly and sincerely, and not connive at error in any way." (Rerum Novarum, par. 116)

"But what if Socialism has really been so tempered and modified as to the class struggle and private ownership that there is in it no longer anything to be censored on these points? Has it thereby renounced its contradictory nature to the Christian religion? This is the question that holds many minds in suspense. And numerous are the Catholics who, although they clearly understand that Christian principles can never be abandoned or diminished seem to turn their eyes to the Holy See and earnestly beseech Us to decide whether their form of Socialism has so far recovered from false doctrines that it can be accepted without the sacrifice of any Christian principle and in a certain sense be baptized. That We, in keeping with our fatherly solicitude, may answer their petitions, We make this pronouncement:

Whether considered as a doctrine, or an historical fact, or a movement, Socialism if it remains truly Socialism even after it has yielded to truth and justice on the points which we have mentioned, cannot be reconciled with the teachings of the Catholic Church because its concept of society itself is utterly foreign to Christian truth." (*Rerum Novarum* par. 117)

"If Socialism, like all errors, contains some truth (which, moreover, the Supreme Pontiffs have never denied), it is based nevertheless on a theory of human society peculiar to itself and irreconcilable with true Christianity.

Religious Socialism, Christian Socialism, are contradictory terms; no one can be at the same time a good Catholic and a true Socialist." (*Rerum Novarum*, par. 120)

These words of Pius XI should be carefully noted. There are some who contend that Pope Pius in his condemnation had in mind only philosophical Socialism or materialistic Socialism; that, therefore, there can be a Christian type of Socialism which would not violate Christian principles. Such an interpretation is a distortion of the words of Pius XI because he went to extreme lengths to outlaw Socialism whether it be considered as a doctrine or a fact or a movement even when Socialism yields to truth and justice by rejecting its false doctrines.

Pope Pius XII with equal vigor and clarity condemns Socialism as contrary to right order. He states:

"To make nationalization, however, the normal rule for public organization of economy would be to reverse the order of things.

The object of public law is, in fact, to serve private rights, and not to absorb them.

Social Economy is not, by its nature, a state institution, any more than any other branch of human activity. On the contrary, it is the living product of the free enterprise of individuals and of groups of individuals freely constituted."¹

He then points out how false are the promises of the socialist welfare state:

"Upon their misery and their discouragement feeds the spirit of evil with the aim of turning them away from Christ, the true and only Saviour, and of hurling them into the flood of atheism and of materialism, and of enlisting them into the structure of social organizations which are in contradiction to the order established by God.

Dazzled by the blinding light of beautiful promises, by the brazen assertion of inevitable success, they are sorely tempted to give themselves over to facile illusions, which cannot but lead them to new and frightful social upheavals. And yet what an awakening stark reality reserves for them once these golden dreams shall have been dispelled!"²

Pope Pius XII not merely condemns Socialism but even warns against the present day trend toward an all-embracing socialization which some Catholics not merely accept but contend is demanded by the social teaching of the Church:

"In the second place stands the protection of the individual and the family against their absorption by the

state, a process of excessive socialization at the end of which looms the threatening nightmare of 'Leviathan.' Against this menace the Church will fight uncompromisingly because the highest goods, human dignity and the salvation of the soul, are jeopardized."³

1. "Six Social Documents of His Holiness, Pope Pius XII and a Letter of His Excellency Monsignor Montini" p. 7, Our Sunday Visitor Press, Huntington, Indiana.

2. Ibid, pp. 10-11.

3. Ibid, p. 32.

CHAPTER II

AMERICAN CAPITALISM

IN CONTRAST TO THE ABOVE CONDEMNATION of Socialism as contradictory to Christian doctrine, the Social Encyclicals do not condemn the basic institutions of Capitalism. Pope Pius XI stated:

"With all his energy Leo XIII sought to adjust this economic system (wherein, generally, some provide capital while others provide labor, par. 100) according to the norms of right order; hence, it is evident that this system is not to be condemned in itself. And surely it is not of its own nature vicious." (Quad. Anno. par. 101)

American Capitalism is founded on the basic institutions of Private Property, Freedom of Competition, Freedom of Enterprise, and Freedom of Contract. The

Social Encyclicals do not condemn these institutions.

This fact should be strongly emphasized because the realization that the Social Encyclicals are not opposed to revered American institutions should dispel most of the misunderstanding concerning encyclical teaching and should assure acceptance of the Church's social doctrine.

PRIVATE PROPERTY

Regarding the basic right of private property, there can be little debate. Pope Leo XIII in *Rerum Novarum*, states:

"Rightly, therefore, the human race as a whole, moved in no wise by the dissenting opinions of a few, and observing nature carefully, has found in the law of nature itself the basis of the distribution of goods, and, by the practice of all ages, has consecrated private possessions as something best adapted to man's nature and to peaceful and to tranquil living together. Now civil laws, which, when just, derive their power from the natural law itself, confirm and, even by the use of force, protect this right of which we speak. And this same right has been sanctioned by the authority of the divine law, which forbids us most strictly even to desire what belongs to another. 'Thou shalt not covet thy neighbor's wife, nor his house, nor his field, nor his maid-servant, nor his ox, nor his ass, nor anything that is his.' " (*Rerum Novarum* par. 17)

"Let it be regarded, therefore, as established that in seeking help for the masses this principle before all is to be considered as basic, namely, that private ownership must be preserved inviolate." (Par. 23)

"But it will be well to touch here expressly on certain mat-

ters of special importance. The capital point is this, that private property ought to be safeguarded by the sovereign power of the State and through the bulwark of its laws. And especially, in view of such a great flaming up of passion at the present time, the masses ought to be kept within the bounds of their moral obligations.

For while justice does not oppose our striving for better things, on the other hand, it does forbid anyone to take from another what is his and, in the name of a certain absurd equality, to seize forcibly the property of others; nor does the interest of the common good itself permit this . . ." (*Rerum Novarum* par. 55)

Pope Pius XI reiterates in *Quadragesimo Anno* the teaching of his predecessor when he states:

"But to come down to particular points, We shall begin with ownership or the right of property. Venerable Brethren and Beloved Children, you know that Our Predecessor of happy memory strongly

defended the right of property against the tenets of the Socialists of his time by showing that its abolition would result, not to the advantage of the working class, but to their extreme harm.

Yet since there are some who calumniate the Supreme Pontiff, and the Church herself, as if she had taken and were still taking the part of the rich against the non-owning workers—certainly no accusation is more unjust than that—and since Catholics are at variance with one another concerning the true and exact mind of Leo, it has seemed best to vindicate this, that is, the Catholic teaching on this matter from calumnies and safeguard it from

false interpretation." (Quadragesimo Anno par. 44)
 "That the State is not permitted to discharge its duty arbitrarily, is, however, clear. The natural right itself both of owning goods privately and of passing them on by inheritance ought always to remain intact and inviolate, since this indeed is a right that the State cannot take away; 'For man is older than the State,' and also 'domestic living together is prior both in thought and in fact to uniting into a polity.'

Wherefore the wise Pontiff declared that it is grossly unjust for a State to exhaust private wealth through the weight of imposts and taxes . . .

'For since the right of possessing goods privately has been conferred not by man's law, but by nature, public authority cannot abolish it, but can only control its exercise and bring it into conformity with the common weal . . . ' " (Quadragesimo Anno Par. 49)

Pope Pius XII, contrary to the opinion of those who claim that conditions of the modern industrial world require radical modification of the doctrine of private property, not merely reiterates the teaching of his illustrious predecessors, but restates that teaching in such clear and concise words that no one can honestly misunderstand them:

"Pursuant to this aim Catholic social teaching in particular deliberately and vigorously champions the right of the individual to private ownership. . . .

The right of the individual and the family to private property stems immediately from the nature of human personality and is connected with the dignity of the human person; it is not merely a social function, but a personal

right, though, to be sure, burdened with social responsibilities." (Six Social Documents, p. 32)

SOCIAL OBLIGATIONS OF PROPERTY

Unrestricted laissez-faire Capitalism made the right of private property absolute, that is, devoid of any public or social control. This is an error which no Catholic can accept. The correct Christian concept of the right of private property is that it is social as well as individual in character, and burdened, therefore, with social obligation. Pope Pius XI explains the social nature of property:

"First, then let it be considered as certain and established that neither Leo nor those theologians who have taught under the guidance and authority of the Church have ever denied or questioned the twofold character of ownership, called usually individual or social according as it regards either separate persons or the common good. For they have always unanimously maintained that nature, rather the Creator Himself, has given man the right of private ownership not only that individuals may be able to provide for themselves but also that the goods which the Creator destined for the entire family of mankind may through this institution truly serve this purpose. All this can be achieved in no wise except through the maintenance of a certain and definite order." (Quad. Anno. par. 45)

Pius XI then charts the road that must be traveled to avoid error and disaster:

"Accordingly, twin rocks of shipwreck must be carefully avoided. For, as one is wrecked upon, or comes close to,

what is known as 'individualism' by denying or minimizing the social and public character of the right of property, so by rejecting or minimizing the private and individual character of this same right, one inevitably runs into 'collectivism' or at least closely approaches its tenets. Unless this is kept in mind, one is swept away from his course upon the shoals of that moral, juridical and social modernism which We denounced in the Encyclical issued at the beginning of Our Pontificate (Encyclical, *Ubi Arcano*, Dec. 23, 1922). And, in particular, let those realize this who, in their desire for innovation, do not scruple to reproach the Church with infamous calumnies, as if she had allowed to creep into the teachings of her theologians a pagan concept of ownership which must be completely replaced by another that they with amazing ignorance call 'Christian'." (Quad. Anno. par. 46)

"Those therefore, are doing a work that is truly salutary and worthy of all praise who, while preserving harmony among themselves and the integrity of the traditional teaching of the Church, seek to define the inner nature of these duties and their limits whereby either the rights of property or its use, that is the exercise of ownership, is circumscribed by the necessities of social living. On the other hand, those who seek to restrict the individual character of ownership to such a degree that in fact they destroy it are mistaken and in error." (Quad. Anno. par. 48)

FREEDOM OF COMPETITION

It is sometimes contended that the institution of freedom of competition is condemned by encyclical teaching and that for it there must be substituted, even in normal peace-time periods economic planning by governmental agencies or by semi-public economic

councils. That free competition is not condemned in itself is clearly indicated in the statement of Pius XI that "free competition, while justified and certainly useful provided it is kept within certain limits . . ."

The above statement proves that the encyclical teaching is not against a "free market" but against a "blind market"; that is a market which operates only according to the blind forces of a completely free and unlimited competition. Such competition would make the market "blind" to moral law and social control.

What the certain limits are within which competition must be kept is debatable. Father John Cronin states the problem:

"The thesis that competition cannot be the sole ruling principle of economic life is purely negative. What other principles must supplement competition? What is the proper proportion of forces in the right ordering of economic life? How much competition, and how much control of one form or other? What are the 'certain limits' mentioned by the Holy Father as the sphere in which competition is 'justified and certainly useful'?

"When these questions are asked, we are venturing into the sphere of prudential application of ethical principles to concrete life. In such a sphere, unanimity of opinion is not easily had. Such certainly has been the case with American attempts to apply Catholic social principles to our economy.

"The teachings of American Catholic social scientists on this question have varied widely. At one extreme we have those who are so attached to the idea of economic planning that they would reduce competition to an absolute minimum. They envision in each industry and in

agriculture a system of complete price-fixing (and by implication, capital allocation and production control) through boards which represent the industry, labor, consumers, and the public interest.

"Presumably under such conditions there would be no price competition within an industry. There would be competition in a non-price manner and also to some extent between products in different industries. Such competition, however, would be so limited as to lose its historic function of allocating resources, stimulating production, and rewarding achievement.

"At the other extreme we have those who hold that our problem rather is to bring about a greater degree of competition than we have today. They envision most important economic problems as stemming from the imperfection or the lack of competition. Such theorists would oppose monopoly or approximations thereto by either capital or labor. They object to the stickiness of prices and the rigidities which prevent quick adjustments in unbalanced economic situations.

"They would concede, however, the value of social legislation to prevent certain evils brought about by unregulated competition. This school would not oppose pure food and drug regulation, the policing of security markets, old-age security provisions, and even moderate minimum-wage legislation.

"Between these extremes are various middle positions, which have in common two features. First, advocates of these positions are convinced that some degree of planning of economic life is necessary. They do not feel that any automatic regulation of the economy through price mechanism can prevent economic instability and insecurity. Nor are they willing to accept the thesis that a

life-and-death struggle between economic groups is either inevitable or desirable. Some type of control must replace class warfare and a boom-and-bust sequence. As a second point, these theorists would insist upon the absolute necessity of price competition within a framework of social control. It would be competition within limits and with proper safeguards against exploitation and waste. Nonetheless, it would be real competition within industries and between industries.”¹

FREEDOM OF CONTRACT

There is nothing in the Social Encyclicals regarding freedom of contract that would condemn this institution. This can be deduced from the fact that Pius XI upholds as morally just the extremely important wage-contract between employers and workers.

Most of the current confusion and controversy regarding encyclical teaching centers on the problem of the wage-contract. Some have interpreted the Social Encyclicals to demand the modification of the wage-contract by a partnership-contract whereby workers would share with owners the right to manage business. This interpretation is untenable because both Pius XI and Pius XII have made such concise and clear statements regarding this problem, that no one now can claim that co-management is required by the Social Encyclicals. Pope Pius XI said:

“First of all, those who declare that a contract of hiring and being hired is unjust of its own nature, and hence a partnership contract must take its place, are certainly in error and gravely misrepresent Our Predecessor whose Encyclical not only accepts working for wages or salaries

but deals at some length with its regulation in accordance with the rule of justice." (Quad. Anno. par. 64)

Pope Pius XII thought this problem so important he on three different occasions reiterated the teaching of his predecessor.

On May 7, 1949 in his discourse to the Representatives of the International Union of Catholic Employers Associations he stated:

"Neither would it be correct to say that all private enterprise is, by nature, a society in which the relations between the collaborators must be determined by the rules of distributive justice in such a way that all, without distinction—be they owners or not of the means of production—would have a right to share in the property, or at least in the profits of the enterprise.

Such a concept starts with the assumption that all enterprise, by its nature, comes within the sphere of public law. This assumption is false, whether the enterprise be constituted in the form of a foundation or an association of all the workers as co-proprietors, or it be the private property of an individual who signs a work-contract with his workers; it is amenable to the private juridical order of economic life."

"The proprietor of the means of production—whether he be an individual, or an association of workers, or a foundation (corporation)—must always remain the master of his economic decisions, within the limits of public economic law."²

On June 3, 1950 in his discourse to the Catholic International Congress for Social Study he again stated:

"An equal danger arises when one insists that the wage-earners in a company should have the right of economic co-management especially when the exercise of this right is in fact, subject, directly or indirectly, to organizations outside the company itself."

"Now, neither the nature of the work contract, nor the nature of the business necessarily imply, in themselves, such a right.

It is beyond all doubt that the wage earners and the employers are both subjects, not objects, of the economy of a nation. There can be no question of denying this parity; it is a principle which social policy has already proved valid and which a policy organized on the professional level would validate even more effectively. But, at the same time, there is nothing in private law relationships, as these are governed by the simple wage contract, which contradicts this fundamental parity. The wisdom of Our Predecessor, Pius XI, showed this clearly in the encyclical 'Quadragesimo Anno' and, accordingly, he denies therein the intrinsic need of modifying the wage contract by a contract of partnership. . . . But in the light of the principles and the facts, the right to economic co-management, which is being claimed, is outside the sphere of these possible achievements."³

On September 14, 1952 in his radio address to the Austrian Katholikentag in Vienna, His Holiness reiterated this same doctrine in even more explicit language:

"Herein lie the deeper motives why the Popes of the social encyclicals, and We Ourselves have declined to infer either directly or indirectly from the nature of the labor contract the right of the workers to co-ownership in the

operating capital, and its corollary, co-determination in the conduct of the business. Such a right must be denied because of more basic issues involved."⁴

And His Holiness' Substitute Secretary of State, Monsignor Montini, in a letter to the Italian Catholic Social Week, meeting at Turin September 21-27, 1952 said:

"Our Holy Father, Pope Pius XII, has many times referred to the juridico-social position of the workers in industry, accurately distinguishing what belongs within the sphere of natural law, from that which forms part of the aspirations of the working classes and which can consequently be pursued by legitimate means as an ideal.

He warned, in fact, that

'a danger arises when one insists that the salaried workers in a company should have the right of economic co-management, especially when the exercise of this right is, in fact, subject, directly or indirectly, to organizations foreign to the company itself.

Now, neither the nature of the work-contract nor the nature of the business necessarily imply, in themselves, such a right. . . . The wisdom of Our Predecessor, Pius XI, showed this clearly in the Encyclical "Quadragesimo Anno" and, accordingly, there is denied therein the intrinsic need of patterning the work-contract on the contract of partnership.' "⁵

The above quoted statements of Pius XI and Pius XII are ignored by those who base their argument for co-management upon the following advice of Pius XI:

"We consider it *more advisable*, however, in the present condition of human society that, so far as is possible, the work-contract be *somewhat modified* by a partnership-contract, as is already being done in various ways and with no small advantage to workers and owners. Workers and other employees thus become sharers in ownership or management or participate in some fashion in the profits received." (Quad. Anno. par. 65.)

This rather mild advice of Pius XI is so misinterpreted by some that they would make what was an observation of secondary importance, a statement of major and mandatory social policy. Obviously referring to such misrepresentation Pius XII emphatically states:

"Nor could We disregard the changes which distorted the words of high wisdom of Our glorious predecessor, Pius XI. These distortions have come about by over-emphasizing an observation of wholly secondary importance (regarding the eventual juridical modifications in the relations between the employees subject to the labor contract, and the other contracting party) . . ."⁶

In this country, the plan for co-management is embodied in the so-called Industry Council Plan. According to this Plan there would be established in each industry and profession an economic council which would perform all fundamental management functions. Each industry council would be composed of representatives of the workers, owners, government and general public. The industry councils would be federated into a National Economic Council to which would be given the power of economic planning for the nation.

The Industry Council Plan has been sponsored very strongly in this country by the C.I.O. which says the following concerning the Plan:

"The Industry Council Plan has been the central element in the C.I.O. industrial and political program for many years and is a permanent part of the long-range peacetime policy. The Portland gathering (1948 C.I.O. Convention held in Portland, Oregon) adopted 3 "resolves" on this matter:

- '(1) We commend President Murray and C.I.O. officers for their outstanding leadership in the advocacy of nation-wide democratic industrial planning. . . .
- (2) . . . Such planning must extend to all key decisions of industries which affect the lives of the people.
- (3) Planning must be accompanied at the outset by industry councils through which planning and administration work can be kept close to the people. There should be a National Production Board on which there would be representatives of organized labor, farmers, consumers, industrial management and government.'

"Now as to the plan itself. First, it is definitely not another scheme for voluntary management-labor cooperation. This Industrial Council Plan needs legislation to give it teeth . . . Of course the law would have to have enforcement provisions with penalties for violations.

"It is our firm conviction that the principles of the democratic industrial planning for which we have declared ourselves must be taken out of the realm of speculation and imagination and must be brought down to earth and applied through political action.

"The key decisions of the basic and monopolistic industries which affect the lives of the people are production and employment levels, the rate and nature of capital investment, maximum prices, minimum wages, guaranteed annual wages, the size and location of industrial plants, the utilization and conservation of natural resources and the policies of the great corporations in the fields of labor relations, public information and foreign affairs. . . . The Industrial Council Plan was born of a national emergency. Back in 1940 C.I.O. President the late Philip Murray and C.I.O. Auto-workers' President Walter Reuther both advanced proposals which were forerunners of the present plan."⁷

Because the Industry Council Plan would substitute economic planning for our limited free competition and free markets it would radically change the right of private property in business by forcing the owners to share management with the workers; such a Plan would be revolutionary because it would so radically alter the four basic institutions of American Capitalism as to make them meaningless.

Some contend that the co-management inherent in the Industry Council Plan is demanded by the Social Encyclicals. In light of the above statements of Pius XI and Pius XII it is difficult to understand how encyclical teaching could be so misrepresented. The co-management embodied in the Industry Council Plan obviously contradicts the clear-cut statements of Pius XI and Pius XII because equal representation on industry councils with owners would give the workers, *by right*, partnership status and the right of co-management.

The following warning of Pius XII was addressed specifically to those who persist in distorting the Social

Encyclicals regarding co-ownership and co-management:

"We feel it incumbent upon Us to exhort you and all Catholics anew, from the very outset of the new development in the social dispute to hew close to the clearly defined line of Catholic social teaching without deviating either to the right or the left. A slight deviation may at first seem inconsequential. However, in the long run, it would lead dangerously away from the right path, and entail disastrous consequences. Sober thinking, self-control, steadfastness in the face of temptations from extreme positions, accordingly shall be the watchword of the hour."⁸

The above condemnation of co-management as a *right* belonging to workers should not be interpreted to mean that social doctrine is opposed to *voluntary plans* whereby owners share with their workers in some fashion either ownership or profits or management or all three.

Pope Pius XI's *advice* has been followed by progressive businessmen in this country. Sound industrial relations require that workers be made to feel they belong to and are part of the company. Profit sharing is an excellent method to give this feeling of "being on the team" and wherever sincerely tried has produced excellent labor relations and economic advantages to both labor and management. So also the free and voluntary sharing of management, whenever it can be done by union-management committees or other arrangements, may produce excellent results in better labor relations, increased production, elimination of waste, etc.

OWNERSHIP BY THE WORKERS

Sharing of ownership as advised by Pius XI is also strongly recommended today in business circles. Correctly, the Social Encyclicals recommend the widest possible distribution of ownership of business among the workers. While the ownership of the large corporations in this country is widespread (AT&T has over a million share owners) too small a proportion of the workers are owners. A recent study of the Brookings Institution⁹ indicates there are 6½ million share owners in the United States. This estimate of share ownership does not include the hundreds of thousands of "family and closely held companies." In addition to the 6½ million share owners there are over 9 million owners of non-corporate businesses, such as farms, retail stores, small manufacturing plants, etc.

The Church's program of a broad distribution of ownership is the best safe-guard against Socialism; if as many workers as possible were made capitalists by direct or indirect ownership in American business, there would be little danger of their being seduced by the siren voice of Socialism. But, it is unlikely that the majority of workers can be induced to become direct share owners through the purchase of common stock. They can, however, become indirect share owners by the investment of their private social security funds in common stock. The investment of private welfare funds in the common stock of the company could give workers, through their trust funds in a relatively short time, majority ownership of the big corporations. Unions also could and should invest their very sizeable union funds in the common stock of the firms for which their mem-

bers work. By means of such ownership workers could acquire legitimately and in the traditional American way, the right to share in management by representation on the board of directors. Such union ownership should have the salutary by-product effect of lessening class conflict. In passing it should be mentioned that some unions have adopted the practice of investing their union funds in stocks of American corporations. One union has an investment of \$11,000,000 in some of the best stocks in the country; this investment paid \$750,000 in dividends in 1952.

Furthermore the investment of union and welfare funds in common stock would solve the very serious problem of lack of risk capital which has plagued the economy in the past twenty years. The Council of Economic Advisers made a significant observation regarding this problem when it stated:

“Important also are the long-range changes that have taken place in the distribution of income and in the savings habits of the people. Economic policy should recognize that the bulk of saving will come from people in the middle income brackets, who are rightly more concerned with the safety of their investment than with the gains that involve high risks. This calls for financial institutions that transform these savings into venture capital. Study should be made of the experience of Nation-wide or local investment companies which can extend venture capital with diversification of risks.

“The possibilities of developing other types of organization which could effectively channel private savings into venturesome fields of investment and the extent to which the Government can promote them require thorough exploration. Also, the legal and economic prob-

lems of investment of insurance reserves require continuing study in the light of the changes in savings habits of the people and the changing demand for industry financing. The Council of Economic Advisers will continue its work upon these problems.”¹⁰

The Council further states:

“There is danger that the proportion of funds seeking fixed-return investment will continue to rise and that the economy will generate a larger volume of saving for such purposes than it can absorb, while at the same time important types of investment will be impeded by lack of risk capital. Small and new business concerns have always experienced great difficulty in securing long-term loans and in acquiring outside equity capital, and this problem has now been intensified by the larger concentration of investment funds in the savings accounts of persons of moderate income who seek fixed return investments, and in institutions which have little interest in financing small business.”¹¹

Because it is unlikely that income taxes will be reduced sufficiently to create again a real equity market from the savings of those in the upper income brackets, another source of risk capital must be discovered. That source can be found as mentioned above, in the private social security and union funds. Another important source would be the savings of workers invested in insurance policies. However, if such savings are to be invested in risk capital there must be a relaxation of the State laws which now forbid the investment of funds of insurance companies in common stock. If this were permitted the 85 million policy holders would become indirect owners of corporations rather than remain creditors of corporations which they now are.

Also in the fundamental interest of the workers, there is need for an overhaul of our tax structure to help alleviate the acute shortage of risk capital. The unfair double taxation of corporate income should be eliminated by allowing a ten per cent tax credit to those who receive dividends to compensate for the taxes already imposed upon corporate income. There should also be a reduction of the capital gains tax because this tax at its present level is a deterrent to investment in risk capital. Tax relief must also be given to small business by allowing tax exemption of any earnings which are plowed back into business.

The excessively heavy burden of Federal taxation on both individuals and corporations approaches dangerously close to the limit against which Pope Leo XIII warned when he admonished:

"But these advantages can be attained only if private wealth is not drained away by crushing taxes of every kind.

For since the right of possessing goods privately has been conferred not by man's law, but by nature, authority cannot abolish it but can only control its exercise and bring it into conformity with the commonweal.

Public authority therefore would act unjustly and inhumanly, if in the name of taxes it should appropriate from the property of private individuals more than is equitable." (*Rerum Novarum*, par. 67)

FREEDOM OF ENTERPRISE

The Social Encyclicals not merely specifically recommend the institution of freedom of enterprise but also

strongly favor economic freedom and oppose economic planning by the State. Pope Leo XIII said:

"It is not right, as We have said, for either the citizen or the family to be absorbed by the State; it is proper that the individual and the family should be permitted to retain their freedom of action so far as this is possible without jeopardizing the common good and without injuring anyone." (*Rerum Novarum*, par. 52)

Pope Pius XII states:

"Social Economy is not, by its nature, a state institution any more than any other branch of human activity. On the contrary it is the living product of the free enterprise of individuals and of groups of individuals freely constituted."¹²

Monsignor Montini, Substitute Secretary of State, speaking for His Holiness Pius XII, not merely favors free enterprise but demands that the State positively foster it:

"The economic world is primarily a creation of the free will of men; it pertains to the State, therefore, to create those conditions which may allow private initiative to expand within the limits of the moral order and of the common good."¹³

Pope Leo moreover implies in the following statement that the traditional arguments in favor of freedom of enterprise have a sound moral basis:

"Therefore, let it be laid down, in the first place that a condition of human existence must be borne with, namely

that in civil society the lowest cannot be made equal with the highest. Socialists, of course, agitate the contrary, but all struggling against nature is vain.

There are truly very great and very many natural differences among men. Neither the talents, nor the skill, nor the health, nor the capacities of all are the same, and unequal fortune follows of itself upon necessary inequality in respect to these endowments.

And clearly this condition of things is adapted to benefit both individuals and the community; for to carry on its affairs community life requires aptitudes and diverse services, and to perform these diverse services men are impelled most by differences in individual property holdings." (*Rerum Novarum*, par. 26)

1. Review of Social Economy, the Catholic Economic Association, Vol. V., No. 1, 1947, pp. 9-10.
2. Six Social Documents, pp. 7-8.
3. Ibid, pp. 12-13.
4. Ibid, p. 32.
5. Discourse to the International Congress of Social Studies, June 3, 1950. Ibid, p. 36.
6. Ibid, p. 19.
7. C.I.O. NEWS, Dec. 27, 1948, p. 6.
8. Six Social Documents, pp. 32-33.
9. "Share Ownership in the United States," p. 89.
10. The Economic Report to the President, Jan. 1949, p. 65.
11. The Economic Report to the President, Jan. 1950, p. 91.
12. Six Social Documents, p. 7.
13. Ibid, p. 38.

CHAPTER III

UNRESTRICTED CAPITALISM

AS PROVED ABOVE THE SOCIAL ENCYCLICALS do not condemn the institutions of American Capitalism; they, however, do condemn certain evils associated with unrestricted laissez-faire Capitalism. Pius XI explains exactly the type of individualism he brings under indictment, namely, that of the so-called Manchesterian Liberals:

"For the doctrine was preached that all accumulation of capital falls by an absolutely insuperable economic law to the rich, and that by the same law the workers are given over and bound to perpetual want, to the scantiest of livelihoods. It is true, indeed, that things have not always and everywhere corresponded with this sort of teaching of the so-called Manchesterian Liberals; yet

it cannot be denied that economic-social institutions have moved steadily in that direction. That these false ideas, these erroneous suppositions, have been vigorously assailed, and not by those alone who through them were being deprived of their innate right to obtain better conditions will surprise no one." (Quad. Anno. par. 54)

Pius XI indicts unrestricted laissez-faire individualism because it made "insuperable economic law," the automatic guarantor of justice, thereby excluding the moral law. Such a doctrine is completely amoral and consequently untenable by a Christian because economic activity is human activity and as such must conform to the moral precepts of justice and charity. The laissez-faire doctrine of inexorable economic law is as morally deterministic as communistic doctrine because an individual would be absolved of all personal moral responsibility by merely acting according to "insuperable economic law." This is especially true of the principle of "free competition" when it is made the automatic regulator of economic justice by inexorable economic law. Pius XI correctly notes:

"Just as the unity of human society cannot be founded on an opposition of classes, so also the right ordering of economic life cannot be left to a free competition of forces. For from this source as from a poisoned spring, have originated and spread all the errors of the individualist economic teaching. Destroying through forgetfulness or ignorance the social and moral character of economic life, it held that economic life must be considered as altogether free from and independent of public

authority, because in the market, i.e., in the free struggle of competitors, it would have a principle of self-direction which governs it much more perfectly than would the intervention of any created intellect." (Quad. Anno. par. 88)

This condemnation by Pius XI of the unrestricted individualism of the Manchesterian Liberals, however, cannot be interpreted to mean that he condemns individualism, *per se*. Unfortunately, some have so misinterpreted Pius XI. The fact that Pius XI so strongly defended the individual nature of both property and labor is proof that he believed in the right type of individualism, namely, that individualism which is socially and morally responsible.

Pius XII also strongly and explicitly defends individualism when he said:

"We must answer that the impersonal character of such a world is in contrast with the wholly personal inclination of those institutions which the Creator has given to human society. In fact, marriage and the family, the State and private property tend of their very nature to form and to develop man as a person, to protect him and to render him capable of contributing, through his own voluntary collaboration and personal responsibility, to the likewise personal maintenance and the development of social life. The creative wisdom of God remains, therefore, alien to that system of impersonal unity which outrages the human person, who is the origin and the very purpose of social life, and who is in his innermost essence the very image of God."¹

His Holiness Pope Pius XII further points out that today the real moral danger is found in the social organization of an impersonal society which prevents the individual from exercising freely his conscience:

"However, economic difficulties are not the only ones under which man suffers in present-day society. Often connected with these arise difficulties of conscience, especially for the Christian, anxious to live according to the dictates of the natural and the divine law. Those who maintain the impersonal idea of society are condemning to interior anguish that very conscience upon which, in great part, depends the cure for our ills and our salvation itself.

And this perhaps is the widest possible deviation from the Divine Plan that man is realizing in his efforts to help his fellow man.

Indeed, modern society, which wishes to foresee and to organize everything, because of its mechanical concept of society, comes into conflict with that which is living, and which, therefore, cannot be subjected to quantitative calculations."²

The modern trend is to oppose atomistic individualism with collectivism by minimizing man's individual nature. It is however a distortion of Pius XI's indictment of amoral, laissez-faire individualism to infer papal approval of collectivism. Today a morally irresponsible individualism presents little problem; the real moral danger lies in the modern tendency toward collectivism because of its "depersonalization" of the individual. The greatest threat to morality is found in the collectivistic doctrine of "group-morality" which would

relieve the individual of personal moral responsibility by throwing all moral responsibility upon the organization or group to which he belongs.

This modern error is due to an over-emphasis of the social nature of man and a de-emphasis of his individual nature. Pope Pius XII strongly warns against this modern trend:

"In this fact is to be discovered the origin and the source of that current which is submerging modern man under its tide of anguish: his 'depersonalization.' In large measure his identity and his name have been taken from him; in many of the most important activities of life he has been reduced to a mere object of society, since society itself is being transformed into an impersonal system, into a lifeless organization of forces."³

The Church teaches that moral responsibility is personal and falls upon the individual. It is true that the individual, having a social as well as an individual nature, must associate with other individuals for definite social purposes; however, he does not by this fact lose either his individuality or his individual moral responsibility. It is a fatal error to identify social with collective. Man is a social not a collective being.

Pius XII strongly defends the sacredness of the individual when he significantly points out that:

"We must answer that the impersonal character of such a world is in contrast with the wholly personal inclination of those institutions which the Creator has given to human society. In fact, marriage and the family, the State and private property tend of their very nature to form and to

develop man as a person, to protect him and to render him capable of contributing,

through his own voluntary collaboration and personal responsibility, to the likewise personal maintenance and the development of social life. The creative wisdom of God remains, therefore, alien to that system of impersonal unity which outrages the human person, who is the origin and very purpose of social life, and who in his innermost essence is the very image of God."⁴

Bishop Fulton J. Sheen points out that freedom is possible only when there is personal, moral responsibility:

"Why is it that those who talk most about freedom, who organize to protect 'freedom of the press' and 'freedom of speech,' and who identify the word 'liberalism' with 'progress' are most often the same people who deny freedom by subscribing to the theory that man is determined to do what he does either economically or biologically. . . . It probably would be discovered that people are led to socialism and to state control of everything, including thought, not so much for economic reasons as for psychological reasons, namely, the denial of responsibility, which is the heart of freedom.

"There is evidence that America has turned the corner and is recovering the spirit that made it great in the past. New words are appearing in our national vocabulary, words that have not been used in a political fashion in some time; words like 'responsibility,' 'sacrifice,' 'work.' . . . Nations, too, begin to be free when each individual begins to blame himself for the nation's shortcomings. This is negative freedom—the taking of

blame. Positive freedom follows through obedience to what is right and true and good, for, as the Divine Master taught us: 'The truth will make you free.' ”⁵

APPLICATION TO AMERICAN CAPITALISM

Is our American Capitalistic system based on the type of economic individualism indicted by the Social Encyclicals? Is it an unlimited, unrestricted competitive system which admits of no moral or social control? Whatever may have been the case in the early days of would-be rugged individualism, in modern times there is much social (public) control of economic activity by such laws as the Sherman Anti-Trust Act, the Clayton Act, Federal Trade Commission Act, Robinson-Patman Act and other laws restricting the forces of the free market.

In an article in *Social Order*, titled "New Capitalism vs Old," Father McKeon makes a very pertinent observation when he states:

"In recent years a continuing controversy has been waged in regard to the present status of American capitalism. In a special way a number of clergymen have been involved. To these men, despite their individual differences, we offer the highest praise, for they are truly interested in promoting the common good. And out of the controversy will come clearer concepts and notable reforms.

"With due respect to domestic and foreign critics of our economic system, we are convinced that the capitalism which they severely criticize and at times condemn is not the capitalism which for the past twenty years or more has been evolving in the United States. Many Americans—and even more foreigners—have not rec-

ognized the salutary changes in our economy. Consequently, they are confused and unduly impressed by condemnatory statements from church and other authorities.”⁶

The following excerpt from the Council of Economic Advisors is factual evidence that American Capitalism is not the socially irresponsible type of Capitalism which is brought under censure in the encyclicals.

“American sentiment has always been firm in support of a system of free enterprise and in opposition to a planned economy. Yet our political history is replete with accounts of policies adopted by Government for the very purpose of influencing the economy and of restricting or conditioning the choice of a course of private action.

“In the field of regulation, interference by government with complete business freedom has existed throughout our history. In colonial days, this regulation extended beyond the public services, in such matters as wages and prices. In the first half of the nineteenth century, conditions in the new Nation did not require much regulation. But the National Bank Act, passed during the Civil War, used the taxing power to wipe out note issues by State banks and established rigorous control of the activities of the national banks which it authorized.

“Soon after that war, the Midwestern States enacted what were known as the Granger laws, to regulate rates of railroads and grain elevators. These were sustained by the courts against claims of unconstitutionality upon the significant ground that the regulation of services and charges of public service businesses had been a recognized function of government since colonial days. “The Interstate Commerce Act of 1887 established a

pattern of regulation of public utilities which has become general in Federal and State legislation applying to an expanding list of businesses. To the regulation of rates and services, there has been added the control of financial practices.

"The one-time privilege of the citizen to enter any lawful business he chose has been modified by a requirement that an official certificate of convenience and necessity must be issued before one may undertake a new public utility enterprise. This extensive and important area of American business has now been almost completely covered by legislation which blends the system of free enterprise with the principle of public responsibility.

"Other areas of business have been placed in an intermediate position by regulation which merely limits the discretion of the manager. The Securities and Exchange Act and the Packers and Stockyards Act are among the more important Federal laws which have imposed some degree of supervision upon activities not usually listed in the public service category. In the States there have also been similar trends.

"These measures, and many more, have been designed to keep business operations honest, orderly, and economical. They have been produced mainly, but not wholly, in areas where some considerable degree of monopoly power was inherent or economically desirable. They have sought to prevent the unscrupulous operator from enriching himself at the expense of the buying or investing public who were not in a position to protect their own best interests."⁷

INDICTMENT OF ECONOMIC DICTATORSHIP

The most severe indictment by Pius XI of unrestricted Capitalism was his indictment of concentrated economic control. He stated:

"In the first place, it is obvious that not only is wealth concentrated in our times but an immense power and despotic economic dictatorship is consolidated in the hands of a few, who often are not owners but only the trustees and managing directors of invested funds which they administer according to their own arbitrary will and pleasure." (Quad. Anno. par. 105.)

"This concentration of power and might, the characteristic mark as it were, of contemporary life, is the fruit that the unlimited freedom of struggle among competitors has of its own nature produced, and which lets only the strongest survive; and this is often the same as saying, those who fight the most violently, those who give least heed to their conscience." (Quad. Anno. par. 107)

Whether or not American Capitalism comes under this indictment depends entirely upon the facts. The following excerpt from the Report of the Council of Economic Advisers is unbiased testimony that American Capitalism has in modern times developed into a "People's Capitalism" rather than into a system in which "all accumulation of capital falls by an absolutely insuperable economic law to the rich, and that by the same law the workers are given over and bound to perpetual want and to the scantiest of livelihoods":

"Over the past six decades, our national output of goods and services has been multiplied seven or eight-fold,

representing an average annual rate of increase of nearly $3\frac{1}{2}$ per cent and a virtual doubling of total output every 20 years. In 1949, this total output was about 260 billion dollars; measured in the same price terms, it was about 35 billion dollars in 1890. During the same time span, our population increased to not quite two and one-half its 1890 size, a somewhat larger proportion of the population now engaged in economic pursuits, the net result has been that our total productivity per manhour of work has quadrupled.

"This growth in productivity averaged about 2 or $2\frac{1}{2}$ per cent, annually compounded, and brought amazing advances in our real wealth and general standard of living. Per capita output, measured in 1948 dollars, increased from \$550 in 1890 to \$1,750, or over 200 per cent. The purchasing power of a typical American family now is about 130 per cent greater than that of the much larger typical American family of 60 years ago."⁸

The "amazing advances in real wealth and general standard of living" in the past six decades under our competitive system is evidence of how correct Pius XI was in stating that if kept within certain limits "free competition" is productive of much good.

CONCENTRATED CONTROL OF MONEY

The heart of Pius XI's condemnation of economic dictatorship is concentrated control of money and credit. He stated:

"This dictatorship is being most forcibly exercised by those who, since they hold the money and completely control it, control credit also and rule the lending of

money. Hence they regulate the flow, so to speak, of the life blood whereby the entire economic system lives and have so firmly in their grasp the soul, as it were, of economic life that no one can breathe against their will." (Quad. Anno. par. 106)

This life and death control of money and credit is characteristic of the central banking system of Europe but not of the decentralized, unit commercial banking system of this country. The banking system in the United States called the Federal Reserve System, is composed of twelve Federal Reserve Banks and thousands of independent commercial banks privately owned and operated to meet local needs. The Federal Reserve Banks while not owned by the government are regulated by it through the Board of Governors. By reason of this control, a national credit policy can be dictated whenever needed. The Federal Reserve System is an excellent example of the practical operation of the principle of subsidiarity—there is dispersion of control and also central control when needed to further the common good.

Long-term investment credit for fixed capital purposes is now largely furnished by insurance companies and savings banks in the form of direct loans and by their purchase of bonds of business firms. These financial institutions are regulated by Federal and State laws.

Whatever abuse in investment banking practice existed in the past, cannot now exist because of regulation by the Securities and Exchange Commission.

1. Six Social Documents, p. 47.

2. Ibid, p. 52.

3. Ibid, p. 47.
4. Ibid, p. 47.
5. Sunday Sun-Times, Chicago, April 12, 1953.
6. "Social Order," Mar. 1953, p. 99.
7. Council of Economic Advisors, 3rd Annual Report to the President, Dec. 1948, pp. 13-14.
8. The Economic Report to the President, Jan. 1950, p. 78.

CHAPTER IV

BIG BUSINESS

THE EXISTENCE OF SOME LARGE CORPORATIONS in the United States is sometimes offered as proof that American Capitalism comes under the encyclical condemnation of concentration of "immense power and despotic economic dictatorship in the hands of a few."

The American economy is sometimes pictured as completely dominated by a few huge corporations which are accused of destroying competition, of assimilating small business and in general of engaging in business practices which are contrary to the public interest and common good. These accusations cannot be substantiated.

Due to the anti-trust acts and to an instinct for competition, Big Business in the American Economy

does not connote monopoly and a lack of competition. The development of Big Business in the American economy has been functional and natural rather than artificial and monopolistic. There are literally millions of small business units existing side by side with the giants and frequently sponsored and aided by Big Business. General Motors buys goods and services from 12,000 different business firms, most of which are small. Altogether there are about 10,000,000 small business establishments in the country, some organized on the corporate basis, some organized as individual proprietorships and partnerships.

The American economy is divided into two rough segments: one segment being characterized by the small, non-corporate type of business organization; the other by the corporate and sometimes large-scale type of business organization. The small-scale firm is dominant in the agricultural, trade, service and construction industries; the large unit in public utilities, manufacturing and mining. Among the large business units there is limited competition because due to their "bigness" the number of competitors is necessarily fewer than in the small-scale industries.

The only actual monopolies in the United States are in the field of public utilities. These monopolies are legal, existing only because of government franchise. Competition in this field has proved to be uneconomic and costly because of the duplication in the same market of expensive capital equipment. With the granting of monopoly power, the government maintains strict regulation both of utility rates and of service to prevent misuse of the legally-granted monopoly power.

The big corporations pay the highest wages, have the

best working conditions, guarantee the workers the greatest stability of employment and economic security. Do these endanger the common good? The burden of proof is upon those who would break up these naturally big corporations into many small competing units or who would socialize these big corporations upon the unproved assumption that their "bigness" threatens the common good. The Supreme Court has ruled that bigness does not necessarily connote badness; that while bigness obviously restrains trade, it is not bad if it is a "reasonable" restraint of trade.

Two recent studies of Big Business contend that Big Business instead of being contrary to the common good, is necessary to the public interest.

Mr. David E. Lilienthal, former head of the TVA and of the Atomic Energy Commission states:

"We call our economic system, quite appropriately, free enterprise. To maintain and nourish that system means that we must maintain and nourish the freedom of choice that makes the system come into being and function.

"This country is what it is in large part because of Bigness. Yet the basic governmental business policy and the everyday enforcement of the anti-trust laws in U.S.A. 1952 rest upon the nineteenth-century presumption that Bigness is against the public interest. This monumental confusion acts as a drag upon our economic headway. It hobbles our social development. It occasions a profligate waste and distraction of the energies of business management. It bogs down the federal courts with hopelessly unmanageable litigation. Because much of our business policy and its expression in interminable anti-trust lawsuits and Congressional in-

vestigation is so obviously antiquarian and ineffectual, it undermines respect for government among conscientious citizens.

"I therefore urge that we set about at once to re-examine the outdated structure of our public policy toward Bigness. I believe we should replace it with a foundation of economic and legal policy based upon the realities of the mid-twentieth century upon which we can build an even greater America. The times call for a rousing affirmation that Bigness can (with sensible safeguards for the public) be made the means of promoting and furthering our nation's productivity and the well-being of its individual citizens."¹

The second study was conducted by the Brookings Institution. In a preliminary summary of the study, this statement is made:

"The heartening thing to us in this study has been to discover that the system itself, as it operates, has its own actions and reactions and its own methods of punishing the company that ceases to be competitive. The highly competitive character of big business as we have found it is not due to the personal predilections of its present leadership but to stronger forces.

"Not the concentration of resources in integrated big business, but the dispersion and the versatility of the resources among so many separate units of enterprise is the distinctive characteristic and, I might say, the miracle of American capitalism in our day.

"The present balance between such concentration as is required by modern technology and such dispersion as is required for the greatest amount of competition is neither perfect nor final. Yet, a working balance appears to exist today. Every form of social economic

organization—slavery, the guild system, the age of the big mercantile companies, and other intermediate stages—has had its day. But so long as we have the market compulsions that now exist in the big business area, I believe that we can far extend the days of our present system of private enterprise. It has proved capable of contributing more richly than any demonstrable alternative system to the composite aims of a democratic society basing its economic progress on freedom of economic opportunity.”²

Those who see great danger to the common good in Big Business in the United States confuse our restricted, competitive Capitalism with the monopoly capitalism of Europe. The two systems are so different they cannot be compared.

It is significant that Great Britain and France have no anti-trust laws. In the present century they have practically outlawed competition and set up, under government protection and often in collusion with organized labor, a system of cartels. Without the stimulus of competition and under the dead hand of monopoly, there has been, in modern times, a gradual and necessary deterioration in their economies and a gradual degeneration into Socialism. This is in sharp contrast to the record of American Capitalism in the present century, which is one of expanded employment and improved standards of living because the American Capitalistic system has been dynamic and progressive under the stimulus of a limited competition.

The above analysis of Big Business should not be interpreted to mean that there are not abuses associated with Big Business or that some “big” corporations are not too big. There is always present the danger of too

great a concentration of power in the big corporations which must be guarded against by a strong but intelligent enforcement of the anti-trust laws. There is evidence of an even greater danger due to the willingness of some big businessmen to forsake competition and to collude among themselves and with Big Labor against the common good. Such collusion can end only in Fascism.

CORPORATE PROFITS

Because there has been such an emotional attack upon profits in the post-war years and because some pretend to see in the amount of post-war profits a tendency toward concentration of income a few facts regarding profits are pertinent.

In the post-war period corporate profits (before taxes) represented a higher percentage of national income than in the pre-war and pre-depression periods. After taxes, however, corporate profits have declined as a share of national income while the shares of national income received by workers and by the owners of non-corporate business have increased. Dividends, of all the shares of national income, have showed the most significant decrease, accounting in 1929 for 6.7% of national income as compared to only 3.1% in 1952. During the entire post-war period, the share of profits taken by the government in corporate income taxes has been more than double the share of profits paid to the share owners in the form of dividends. Thus in 1929, the owners were paid \$5,823 million of dividends which accounted for 59.3% of profits (before taxes) while the Federal government taxed profits to the extent of \$1,398 million or 14.2% of total profits. In 1953 the \$9.1

billion of dividends paid to the share owners accounted for only 22.9% of total profits while the Federal government took \$22.6 billion or 56.9% of total profits. These figures prove that in modern times the Federal government and not the owners has obtained the lion's share of corporate profits.

Also significant, is the fact that the share owners received in the seven post-war years only about 40% of the total profits (after taxes); the remaining 60% of profits were plowed back into the business. This large amount of earnings had to be plowed back to compensate for the increased costs of business and for under-depreciation; and also to help finance internally the vast program of expansion and improvement of the tools of production. Such self-financing was necessary due to the lack of equity capital as proved by the fact that only 5% of the tremendous capital funds expended came from the sale of common stocks.

The vast post-war program of expansion and improvement, made at the expense of the share owners, made possible the high prosperity enjoyed by the workers in the post-war period. The workers, therefore, were the ones who received the greatest benefit from this expansion and improvement program in the form of full employment, high income and increasing standards of living.

Contrary to popular belief is the fact that the share of national income, which was received by medium-sized and small corporations in the form of profits, increased in the post-war period while the profits of the large corporations decreased as a share or percentage of national income.

In the words of the Brookings Institution:

"So what we find is that during this period (1928-1948) when all segments of our National income were rapidly expanding the profits of the large corporations represented a declining share of the national income, while those of the medium-sized and small corporations increased. These over-all data, therefore, do not offer any evidence that the large corporations are preempting the income opportunities of the small ones."³

1. "Big Business for a Big Country," A Summary of a series of five articles published by Collier's, May-June, 1952.

2. "Big Business in the Competitive System" by A. D. H. Kaplan, A Preliminary Statement Based on a Study by the Brookings Institution, p. 26, The Brookings Institution, Washington, D.C.

3. Ibid, p. 7.

CHAPTER V

BIG GOVERNMENT

BY FAR THE GREATEST DANGER FROM giantism in the United States today comes from Big Government. Since Pope Pius XI wrote his encyclical in 1931 important changes have taken place in the United States and throughout the world. The modern trend in the last 20 years has been in the direction of more and more governmental domination of the individual. Collectivism has made important headway throughout the world. Its effect has been felt in the United States as evidenced by the trend under the New Deal of concentrating more and more power in the Federal government and in the weakening of the power of State governments. The restraint of the power of the Federal government by the constitutional division of power between the Federal and State governments has

been the genius of our Republic. This division of power has kept government to a large extent under local control since all powers remain in the hands of the local governments and in the hands of the people which are not delegated specifically to the Federal government. Our Republican form of government, therefore, conforms closely to the principle of subsidiarity of function. Pius XI stated the principle when he said:

"It is an injustice, a grave evil and a disturbance of the right order for a larger and higher association to take over the functions which can be performed efficiently by smaller groups." (Quad. Anno. par. 79)

Under our unique governmental system, prior to the trend toward centralization of power in the Federal government under the New Deal, the people through their State and Local governments handled local problems, while sectional differences were reconciled, in the interest of the common welfare, through the National government.

Some complacently look with favor upon this modern trend in the United States toward collectivism. They de-emphasize the threat, inherent in this trend, to personal liberty and personal conscience and ignoring the principle of subsidiarity, seek the solution to every social problem in national social legislation. Most of these problems could and should be solved at the local not national level.

Pope Pius XII writing against the changed conditions of modern times, warns against the domination of the individual by the State:

"At the present time, unfortunately, it is not a question of mere hypotheses and predictions, for this sad condition is already with us; wherever the demon of organization invades and tyrannizes man's mind, there are at once revealed the signs of the false and abnormal orientation of social development. In many countries the modern State is becoming a gigantic administrative machine. It extends its influence over almost every phase of life. It would like to subject to its administration the entire range of the political, economic, social and intellectual fields, including even the birth and the death of its subjects.

No wonder, then, if in this atmosphere of impersonality, which tends to penetrate and to encompass life in its entirety, the meaning of the common good is diminished in the conscience of individuals, and the state loses more and more its original character of a community of morally responsible citizens. In this fact is to be discovered the origin and the source of that current which is submerging modern man under its tide of anguish: his 'depersonalization.' In large measure his identity and his name have been taken from him; in many of the most important activities of life he has been reduced to a mere object of society, since society itself is being transformed into an impersonal system, into a lifeless organization of forces."¹

That His Holiness had in mind the United States is evidenced by the following statement:

"Whoever would think that this solicitude of Ours for true liberty is without foundation when We speak, as We do, to that part of the world which is generally called the 'free world' should consider that, even there, first of all

real war and then 'cold war' have forcibly driven social relations in a direction which ultimately curtails the exercise of liberty itself, while, in another part of the world, this tendency has reached the ultimate consequence of its development."²

In the sentence "the state . . . (is) . . . a community of morally responsible citizens" Pius XII gives the correct Christian concept of the State. The State cannot be a community of morally responsible citizens when the government takes away the responsibility of its citizens. Big Government comes upon the historical scene when citizens cease to be morally responsible—small people need Big Government, not vice versa. When the State ceases to be a community of morally responsible persons then Big Government becomes a necessity; it must provide and make decisions for its citizens and determine every phase and detail of their lives. Only those people are capable of self-government who as individuals accept moral responsibility for their actions. When the individual citizen is "depersonalized" by being forced to live in a society which has degenerated into an "impersonal system" Big Government extends its influence over every phase of his life and makes a travesty of his moral responsibility as a citizen.

Logically, therefore, His Holiness attacks the welfare state precisely because "it would subject to its administration the entire range of the political, economic, social and intellectual fields"; he courageously warns against:

". . . that trust in a welfare state charged with providing for each of its subjects, and in even circumstances of

life, the right to advantage, unreasonable claims which, when all is said and done, cannot possibly be realized."³

Equally logically and courageously, His Holiness criticizes a governmental social security system, the foundation of the modern "welfare state." His Holiness favors instead a private, jointly operated social security system in preference to a government system. In his message to the Social Study Week of Canada (Sept. 25, 1952) Pope Pius stated:

"A social security system that is only a state monopoly would work against the interests of those it is intended to benefit. Social security should be operated through the groups that are to benefit from it."⁴

This advice of His Holiness is strictly in conformity with the principle of subsidiarity of function.

Monsignor Montini, Substitute Secretary of State, speaking for His Holiness Pius XII opposes the domination of business by government:

"Finally, the doctrine of the Church regarding the relationship between business enterprise and the State is clear. If the so-called liberal conception is based on various erroneous principles, no less erroneous and dangerous is the doctrine which attributes to the State the right of chartering a totally planned economy, because from such a conception there would likewise follow the restriction and the extinction of fundamental human rights. 'Whether,' as His Holiness so wisely observes, 'this economic slavery should arise from the selfish domination of private capital or from the power of the State, the result

is the same. Indeed, under the pressure of a State which controls everything and which rules over the whole sphere of public and private life, even going so far as to penetrate into the realm of ideas, of beliefs and of conscience, this absence of economic life, as experience shows and proves, can have even more serious consequences."⁵

1. Six Social Documents, pp. 47-48.
2. Ibid, p. 54.
3. Ibid, p. 14.
4. The Boston Pilot, Sept. 6, 1952.
5. Ibid, p. 38.

CHAPTER VI

BIG LABOR

IN THE AMERICAN ECONOMY TODAY Big Labor is a greater threat to the common good than Big Business because big union leaders wield an economic power greater than that of Big Business. This concentrated economic power of Big Labor is dangerous because it is uncontrolled monopoly power so concentrated and so effective that entire industries can be shut down at the word of a single union leader and the entire economy seriously threatened by crippling strikes in basic industries. The monopoly power of union leaders at present has imposed on it no social control and no effective economic control.

Union leaders are the laissez-faire individualists of today. They resent and resist any public or social control, paraphrasing the 19th century argument used by

businessmen to say what is "Good for Labor is good for the country."

Pope Pius XII warned unions against making the same mistakes made in the past by capital:

"During the past several decades in most of these countries—and often under the decisive influence of the Catholic social movement—there has already arisen a social policy marked by a progressive evolution of labor laws and, reciprocally, by the subjection of the private owner, in control of the means of production, to juridical obligations, which favor the worker. Whoever wishes to extend social policy even further in this same direction encounters a limit—that is to say, that point at which the danger arises of the working class, in its turn, possibly following the mistakes of capital. These mistakes consisted in withdrawing particularly in very large companies, the management of the means of production from the personal responsibility of the private owner, whether individual or company, in order to transfer this management to the responsibility of anonymous, corporate groups."¹

Pope Pius XII criticizes labor monopoly and apparently also the closed shop, as dangerous to the individual worker's personal rights, liberty and conscience:

"Consciences are today also afflicted by other oppressions. . . . Again, access to employment or to places of labor is made to depend upon registration in certain parties or in certain organizations which trace their origin to the labor market.

Such discriminations are indicative of a wrong concept of the proper function of labor unions and of

their essential purpose, which is the protection of the interests of the wage earner within modern society, which has become more and more anonymous and collectivist.

In fact, is not the essential purpose of unions the affirmations in practice that man is the subject, and not the object of social relations? Is it not their purpose to protect the individual against the collective irresponsibility of anonymous owners? Is it not to represent the person of the worker against those who are inclined to consider him merely as a productive agent with a determined price value? How, therefore, can they consider it normal that the protection of the personal rights of the worker be more and more in the hands of an anonymous group, working through the agency of immense organizations which are of their very nature monopolies?

The worker thus wronged in the exercise of his personal rights, will surely find especially painful the oppression of his liberty and of his conscience, caught as he is in the wheels of a gigantic social machine."²

Catholic social scientists should be against monopoly whether found in business or in labor for the very reason pointed out by Pius XII that the individual "finds especially painful the oppression of his liberty and of his conscience, caught as he is in the wheels of a gigantic social machine."

In this country the power of unions has changed radically in the past twenty years. Today workers are fully protected by law in their natural right to establish unions. Unionization has made gigantic strides in the past thirty years so that today the workers in all the

basic industries are unionized. These facts demand a revaluation of the labor problem in the United States. Unfortunately, any revaluation is immediately classified as anti-labor. The courageous statements of His Holiness regarding unions knowing how any such criticism can be misinterpreted and misconstrued, should stimulate Catholic social scientists to take a fully objective approach to this problem.

Labor monopoly puts the individual worker in a very difficult position "caught as he is in the wheels of a gigantic social machine" which causes his union to become his master rather than his servant. The consequent depersonalization of the individual worker makes him powerless to exercise his conscience, especially in matters affecting the common good, such as a strike in a basic industry. The individual worker in such a situation has the right as well as the obligation to exercise his conscience by a truly secret ballot. Some effective procedure must be set up, enforceable by law if necessary, whereby the worker can secretly vote on the last offer of his employer. He must be allowed, without undue pressure from his union officials, to exercise his right as an American and his conscience as a Catholic, to make up his own mind on the issues in dispute. After due and prayerful consideration of the effects of his action upon himself, his family, his community and the common welfare, he must be given every opportunity freely and secretly to cast his ballot.

Business in this country is forbidden by the anti-trust laws to engage in practices which unreasonably restrict or monopolize trade. The purpose of the laws is to protect the common welfare. Illogically when unions engage in such practices it is considered not to be contrary

to common welfare. The usual argument offered to disprove that unions are not monopolistic is that labor is not a commodity which implies that unions because they are voluntary and non-profit associations can have no influence on costs, prices, production, etc. Actually, the effect on costs and prices of union monopoly is no different from that of a business monopoly. The same is true of restrictive, monopolistic practices regarding the production of goods and services. There is no moral or economic justification, therefore, for the double legal standard which now exists, since monopoly, whether of labor or of business affects equally and adversely the common welfare.

Some deny, contrary to the evidence, that there are labor monopolies. There is effective labor monopoly when one union controls the labor contracts of competing employers. Today, when an important union wins any concession from an important employer, every employer must grant the same thing or face a strike. Because of this pattern effect, there is in reality a single national labor monopoly in the United States.

To minimize the danger inherent in such labor monopoly power is to close one's eyes to reality. The answer to the problem is equally clear—unions should be put under the same social control as business by repealing their exemption from the anti-trust laws granted them by the Clayton Act.

In 1914 when this exemption was allowed, there were no labor monopolies and there could not at that time have been foreseen the effects of such an exemption. If continued unchecked industry-wide labor monopolies will force business out of the sheer necessity of survival to establish similar industry-wide monopolies. The pros-

pects of such giantism are more than frightening. There could be a titanic struggle between the giants which would be catastrophic, eventually necessitating such governmental control as would destroy all personal liberty. This would be the "Leviathan" Pius XII referred to. Most likely such a struggle would not occur because it would destroy both labor and capital; therefore, collusion between the giants, would be adopted. The beginnings of such collusion have already appeared on the American scene. Collusion would be equally destructive of the personal rights and liberty of the individual and ultimately would end in Fascism.

Some will argue that subjecting labor monopolies to the anti-trust laws would destroy free unionism. Such an argument is just as illogical as the argument that the anti-trust laws have destroyed free business; actually, they have strengthened free business. The warning of Pius XII regarding the trend of modern unionism should give pause to those Catholic social scientists who attack any attempt to put unions under social control as being contrary to encyclical teaching. Labor, as Pius XI states, is social in character as well as individual. The state, therefore, has the obligation to bring labor organizations under social control when they operate against the common good. This could easily be done by having Congress stipulate that nothing in the Norris-LaGuardia Act or in the Clayton Act be interpreted to legalize any union action which "unreasonably restrains trade." The courts then would have the responsibility as they now do regarding business, of determining whether union activity is monopolistic and contrary to the common welfare.

Moreover, putting labor monopolies under the anti-

trust laws would be in conformity with the social principle of subsidiarity of function. This principle when applied to unions would seem to prefer whenever possible, bargaining between local unions and local employers. Such has been the practice of the A.F. of L. in its 80 odd years of existence. Under such an arrangement the members of a local union could regain and exercise their personal rights, liberties and consciences. They would be in a position to tailor their demands to local conditions and needs and could follow the admonition of Pius XI that in their wage demands they take into account the condition of their employer's business, rather than being forced under industry-wide bargaining to put the industry into an economic "strait jacket." Obviously the argument against industry-wide unions does not apply to company-wide unions; these latter are necessary to give unions equality of bargaining power with Big Business.

1. Six Social Documents, p. 12.
2. Ibid, p. 54.

CHAPTER VII

POSITIVE SOCIAL TEACHING

ON THE POSITIVE SIDE, THE PROGRAM OF social reconstruction demanded by the Social Encyclicals consists of: the reform of morals; the substitution of a moral spirit of cooperation for the class-struggle; the elimination of the evils of unrestricted Capitalism by the revitalization of capitalistic institutions through the infusion of social justice and social charity; and the social reconstruction of capitalistic institutions by the establishment of a system of voluntary, self-regulatory bodies in each industry and profession.

PRIORITY OF REFORM OF MORALS

The most positive and certain part of the papal program is the priority of the re-establishment of morals. Leo XIII was emphatic regarding this point:

"And since religion alone, as We have said in the beginning, can remove the evil, root and branch, let all reflect upon this: First and foremost Christian morals must be re-established, without which even the weapons of prudence, which are considered especially effective, will be of no avail to secure well-being." (*Rerum Novarum*, par. 82.)

Pope Leo XIII lists the duties in justice and charity of both employers and employees, of the rich and poor, and ends with the observation:

"Could not the observance alone of the foregoing laws remove the bitterness and the causes of conflicts." (*Rerum Novarum*, par. 32.)

Pope Pius XI was even more insistent, demanding the restoration of morals prior to the reconstruction of the social order:

"Yet if we look into the matter more carefully, and more thoroughly, we shall clearly perceive that, preceding this ardently desired social restoration

there must be a renewal of the Christian spirit, from which so many immersed in economic life, have, far and wide, unhappily fallen away, least all our efforts be wasted and our houses be builded not on a rock but on shifting sand." (*Quad. Anno*. par. 127.)

Pope Pius XI further emphasizes the importance of a renewal of the Christian spirit:

"There remains to Us, after again calling to judgment the economic system now in force and its most bitter accuser,

Socialism, and passing explicit and just sentence upon them to search out more thoroughly the root of these many evils and to point out that the first and most necessary remedy is a reform of morals." (Quad. Anno. par. 98.)

"What we have taught about the reconstruction and perfection of social order can surely in no wise be brought to realization without reform of morality, the very record of history clearly shows." (Quad. Anno. par. 97.)

"No genuine cure can be furnished for this lamentable ruin of souls, which so long as it continues, will frustrate all efforts to regenerate society,

unless men return openly and sincerely
to the teaching of the Gospel, to the precepts of Him Who alone has the words of everlasting life . . . But this order, which We Ourselves ardently long for and with all Our efforts promote, will be wholly defective and incomplete unless all the activities of men harmoniously unite to imitate and attain, insofar as it lies within human strength, the marvelous unity of the Divine Plan." (Quad. Anno. par. 136.)

His Holiness, Pope Pius XII in an address commemorating on May 18, 1953 the 62nd Anniversary of Pope Leo XIII's Encyclical "Rerum Novarum" said that religion and morality are inseparable from social reform. He criticized those who take the position that social reform must come first and

"then one can think of the religious and moral life of men and mankind. Indeed one cannot separate the former from the latter because one cannot divide this world from

the other. Neither can one break into two man who is a whole living unit."¹

The renewal of morals is a program which can be effected immediately because the Social Encyclicals give detailed instruction regarding the obligations of labor and capital, of rich and poor, of owners and non-owners. The renewal of morals must, as Pius XI points out, precede the reconstruction of social institutions because the mere changing or improvement of social institutions will not change human nature. A good society cannot be constructed on bad men. Reliance, for the eradication of evil, upon changes in social institutions without an equally strong insistence on first "a renewal of the Christian spirit" approaches dangerously close to the socialist doctrine of "perfectibility of human nature." According to this deterministic dogma the evolution of social institutions will automatically eliminate the evil tendencies of human nature so that human beings eventually will be motivated not by selfishness but solely by fraternal charity. Only God's grace can cause such a transformation of human nature.

Because of the importance of the statement, the following words of Pius XII are repeated in which he strongly opposes this modern tendency of "salvation by organization":

"No wonder, then, if in this atmosphere of impersonality, which tends to penetrate and to encompass life in its entirety, the meaning of the common good is diminished in the conscience of individuals; and if the state loses more and more its original character of a community of morally responsible citizens.

In this fact is to be discovered the origin and the source of that current which is submerging modern man under its tide of anguish; his 'depersonalization.'

In large measure his identity and his name have been taken from him; in many of the most important activities of life he has been reduced to a mere object of society, since society itself is being transformed into an impersonal system, into a lifeless organization of forces."²

Pope Pius XII looks not to social organizations for the solution of modern problems but to the conscience of the individual:

"However, economic difficulties are not the only ones under which man suffers in contemporary society. Often connected with these arise difficulties of conscience, especially for the Christian careful to live according to the dictates of human and divine law.

Those who uphold an impersonal idea of society condemn to interior torment the very conscience on which depends in great part moral renovation and salvation.

And this perhaps is the widest deviation from the Divine plan that man reaches in his efforts to help his fellow man. Indeed modern society, which wishes to plan and organize all things, comes into conflict, since it is conceived as a machine, with that which is living, and which therefore cannot be subjected to quantitative calculations."³

1. The Tidings, Los Angeles, May 22, 1953.
2. Six Social Documents, pp. 47-48.
3. Ibid, p. 52.

CHAPTER VIII

COOPERATION

THE SOCIAL ENCYCLICALS DEMAND THE abolition of class-conflict and class-struggle and the substitution for it of cooperation based on mutuality of interest. An insistence upon cooperation among the different economic groups for the common good is the most needed program that can be immediately put into practice. Upon this foundation can eventually be constructed that system of voluntary self-regulatory bodies which is the ultimate papal program of social reconstruction. An effective program of cooperation should begin at the local level and extend to the industry and national level.

AT THE LOCAL LEVEL

There can be cooperation at the local level by means of employee-employer committees. The American Fed-

eration of Labor outlines the functions of such committees:

"In the present precarious business situation, wise union policies are of the utmost importance in negotiating with your employer. Get the facts on his financial condition and outlook from him if possible; supplement your information by writing AFL headquarters . . . Perhaps your employer's prospects are excellent; but if his profit margin is being squeezed by price declines your future will be more secure if you help him improve his competitive position.

"A wage increase may depend on a plan for union co-operation to prevent waste, save expenses, cut costs, improve production. Such a plan can be developed through a Union-Management Production Committee. Now is the time to revive this prewar idea and make it effective for today's needs.

"The joint union-management discussion of production problems, and resulting measures for improvements, contribute greatly to plant efficiency, output, morale, and workers' welfare. This is effective and satisfactory to both management and workers; it avoids destructive speed-up. These suggestions for committees may be helpful:

"The committees should consist of equal numbers of management and union representatives, often one of each from each department, making sure that all crafts are represented. The co-chairman, one for the union and one for management, frequently alternate in presiding over meetings. Meetings are held about every two weeks. Business is concerned with improving production; grievances and negotiations are handled by other committees and do not come before these meetings.

Suggestions from union members or from management are discussed, acted on, and put into effect. Records of production, progress charts, cost charts show what has been accomplished or illustrate problems to be solved. Financial gains resulting from this cooperation are shown in the company's financial report; a fair distribution of the gains between management and workers is determined in collective bargaining negotiations."¹

These union-management committees should not be confused with existing bargaining committees. However, it should be pointed out that through bargaining committees there already exists considerable cooperation at the local level. The thousands of union-management contracts peacefully negotiated is proof of already existing positive, orderly cooperation. Bargaining committees incorporate many advantages of co-management without the annihilation of the rights and functions of private management.

In these contracts the workers, through their union representatives, participate directly and importantly in management because they participate in the determination of wages, standards of work, condition of work, etc. The workers through their bargaining committees obtain the co-responsibility recommended by Pius XII:

"Why should it not be lawful to give workers a fair share of responsibility in the establishment and development of the national economy—and that nowadays more than ever when the scarcity of capital and difficulties of international exchange paralyze the free flow of expenditure on national production? Recent attempts at socialization have only made this sad reality even more clear. It is a fact; and neither has bad will on one side created it, nor

can good will on the other side eliminate it. While, then, there is still time, why not deal with the subject, in full appreciation of common responsibility, in such a way as to safeguard one side from unjust diffidence, and the other from illusions that would not be long in becoming a social danger?"²

However, since bargaining committees are so concerned with the selfish interests of the bargaining parties, they cannot function as cooperative committees which must ignore selfish considerations and devote their efforts to solutions of problems which affect the common good. Also experience has showed that sometimes because of internal union politics the two union committees may cause friction within the union.

AT INDUSTRY LEVEL

At the industry level, organizations already in existence, namely labor unions, trade associations, farm organizations, should be utilized in a cooperative effort to solve the problems peculiar to the different industries and professions. Labor-management conferences in the various industries and professions could do much to bring about a solution of problems peculiar to these industries. It must be pointed out, however, that business trade associations such as the N.A.M., the Chamber of Commerce are not comparable to unions because they cannot speak for the member companies in the operation and conduct of member business. Trade associations exist merely to standardize technical procedure and to disseminate technical knowledge. They do not bargain collectively as unions do, for their members.

Permanent cooperation committees made up of rep-

representatives from both labor and owners should be set up in each industry. Such committees would be merely advisory and would study problems peculiar to the industry.

The main stumbling-block to voluntary cooperation is the resort by labor organizations to political action as a substitute for private bargaining and cooperation. This point of view is expressed as follows:

"This initiative from the right for formulation of a labor program is unfortunate because it proceeds from the antiquated theory that government can persuade labor and capital to join hands like brothers for the common good . . . Organized labor is obviously the one functional group that has the organizational resources to start such a move for dynamic democratic action. I realize, naturally, that we cannot expect all sections of the American labor movement immediately to throw their resources into this proposal. There will be hesitance, reluctance and even outright opposition to the idea of creating in this country a counter-part of the British Labor Party."³

Recently this class-conflict position has been reiterated in a proposal to realign the present political parties into "labor" and "capital" parties or into parties, one of which would represent "the people and progress" and the other "property, privilege and profits."⁴ The division of the American people into two political parties in which they would oppose each other as labor against capital would incorporate in our political life for the first time the Marxian socialist principle of "class-conflict." Such a political arrangement would lead inevitably to socialism by way of "a dictatorship of the proletariat" and would be in opposition to ency-

clical teaching both because it is socialistic and also because it obviously would make impossible an orderly free cooperation between labor and capital.

His Holiness Pope Pius XII in 1948 gave in anticipation an almost categorical answer to such a proposal when he stated:

"Should the trade unions aim at exclusive domination of the state, attempt to exercise absolute control over the workers, refuse to heed a sense of justice, and forego a desire to collaborate with other social classes, they would fail in their mission and betray the hopes that honest workers place in them."⁵

In 1949, His Holiness stated emphatically that the concept of class-struggle is false and evil and therefore condemns any proposal which would increase rather than lessen tension among different classes:

"We allude to the worries and problems of those engaged in industrial production. Both false and evil in its consequences and, unhappily, only too widespread, is the prejudice which sees in those problems irreconcilable opposition between the various interests. That opposition, however, is merely apparent. In the economic sphere there is a community of activities and interests shared by leaders of industry and the workers.

To disregard this mutual bond, or to endeavor to break it, *can only be the pretension of a blind and unreasonable despotism.*

Employers and workers are not unreconcilable enemies. They are collaborators in a common effort, they eat, so

to speak, at the same table since they live, eventually, from the gross or net profits of the national economy."⁶

Again as late as September 1952, His Holiness referring to this problem stated:

"... class struggle can never be a goal of Catholic social ethics since the Church feels itself equally beholden to all classes and strata of the people."⁷

COOPERATION AT NATIONAL LEVEL

At the national level there could and should be cooperation to solve national economic problems such as depressions, economic instability, defense production, credit policies, inflation, etc. This could be done by establishing a national Economic Advisory Committee which would include representatives of labor and the different industries, professions and consuming public. This Council would function as an advisory board to the President and Congress on national economic problems.

It should be pointed out that there is already the beginning of such national cooperation in the Economic Advisory Committee, the Board of Governors of the Federal Reserve System, the National Labor Relations Board, the Federal Trade Commission, the Inter-State Commerce Commission. These agencies, however, are purely governmental and should be expanded to include representatives of all the private economic groups in the nation.

THE CHURCH AND COOPERATION

The Church should foster cooperation at all levels by bringing labor and management together under Cath-

olic auspices. Cooperation can be nurtured by the Church by sponsoring frequent conferences between local Catholic labor leaders and local Catholic businessmen in parishes and universities etc. "Catholic Labor Schools" should be expanded into "Catholic Labor *and* Management Schools."

There must also be a change in the attitude of some in the Church toward business and businessmen. Too often, intended or not, the impression is created that the Church is anti-management and anti-business. Because the Church defends so strongly the interests and rights of the working class doesn't make the Church anti-management as some who call themselves "pro-labor" illogically infer. The unjustified antagonism of some Catholics toward business puts them on the side of Karl Marx who in his doctrine of class-conflict taught irreconcilable opposition between labor and capital. The Church defends also the right of private property and the rights of capital and employers. Therefore, neither justice nor charity permits the unjustified prejudice of some in the Church toward business.

Moreover, cooperation from businessmen cannot be obtained if they are constantly and unjustly depicted as completely devoid of a sense of social responsibility. In recent years American businessmen have showed a strong inclination toward programs of cooperation. Such a spirit should be encouraged rather than thwarted by an emotional and unjustified antagonism. Since the Church's program requires the cooperation of both labor and management, antagonism against management would prevent the encyclical program from being put into operation.

1. Labor's Monthly Survey, May-June, 1949, p. 3. The American Federation of Labor.
2. Six Social Documents, p. 6.
3. Victor Reuther in Common Sense, Dec. 1945.
4. Walter Reuther as quoted by Victor Riesel under the date line of Atlantic City, March 26, 1953.
5. Address to members of Christian Association of Catholic Workers, July 6, 1948.
6. Six Social Documents, p. 1.
7. Ibid, p. 32.

CHAPTER IX

A CHRISTIAN SOCIAL ORDER

WHILE THE PROGRAM OF COOPERATION previously outlined does not fulfill all the papal requirements for a Christian social order, it must be the foundation upon which existing capitalistic institutions will be reconstructed. Existing social institutions must be modified gradually to avoid weakening them by too rapid and too radical a change, which most likely would transform them into a socialistic or fascistic system rather than a reconstructed social order.

There is little difficulty regarding the principles of a Christian social order. The determination of the ultimate function of such self-regulatory bodies does, however, pose many difficult questions. Since function follows structure, it is important to determine the nature of the structure. The structure of a Christian social

order would consist of self-regulatory bodies made up of representatives of both owners and workers. These bodies would be established in the different industries and professions and welded together by federation at the national level.

It should be clearly understood that such a social order would not be a compromise with either Socialism or Fascism. The government would have no official representation on these boards; the function of the government would be merely to foster and to promote the establishment of the Christian social order and to keep a watchful eye upon its functioning once it is established.

In fact, under the Christian social order, regulatory functions now performed by government would be delegated to the self-regulatory bodies. Regulatory functions would be taken from bureaucrats and placed in the hands of those who have an immediate personal interest in the industry or profession under regulation. Thus the present dangerous trend toward Socialism by the concentration of more and more regulatory power in the Federal government would be checked by this practical application of the principle of subsidiarity.

The most debated question regarding function is whether or not the self-regulatory bodies should assume fundamental management prerogatives, which belong by right to the owners. The above quoted statements of Pius XI and Pius XII regarding co-management and co-ownership would rule out the assumption by these self-regulatory bodies of such fundamental management functions as the fixing of wages, profits and prices; the determination of what products would be produced and what their quality and quantity would be; the de-

termination of the allocation of capital facilities, etc. These are fundamental economic decisions which belong by right to the owner. Complete economic planning by these self-regulatory bodies which would determine prices, profits and wages, would be disguised socialism and a fundamental violation of the right of private property.

Professor Henry K. Junckerstoff of Saint Louis University points out in an article in *Social Order* (p. 21) titled "Co-management: A Trojan Horse" that "It is not altogether exaggerated to speak of the policy of introducing labor into management as a Trojan Horse by which socialism—and even communism—enters upon the task of carrying out its ideological program."

Therefore, it would seem that the function of these self-regulatory bodies would be limited to problems which are normally matters for collective bargaining, such as the methods of hiring and firing; the improvement of production; the fixing of safety regulations; the determination of job classifications and of incentive systems, seniority rights, retirement plans, the joint administration of welfare programs such as profit-sharing, pension and employee-stock ownership systems.

This Christian social order would not require radical changes in the institutions of American Capitalism. Fundamental American freedoms would be retained and strengthened against the encroachment of Socialism and Fascism. The right of private property and of private management would be retained; prices and profits would be determined by the forces of a free market operating under the social restrictions of a limited free competition; freedom of contract and freedom of enterprise would not be destroyed.

The most fundamental change in organization and institutions would be the establishment of self-regulatory bodies which in the different industries and professions would be the organic means whereby social justice and social charity would be incorporated into American Capitalism. In concept the Christian social order would not depart from traditional American political self-government. The Christian social order would be a socio-economic Republic based on the principle of subsidiarity as distinguished from a collectivistic economy democracy which is nothing but a disguised dictatorship of the proletariat.

Whether existing American legal institutions would allow the formation of such semi-juridical, self-regulatory bodies is debatable. There is, however, a precedent in some State units of the American Bar Association, in which membership is a requirement for legal practice. Expulsion from these units of the A.B.A. for violation of rules of conduct formulated by the Association, would deprive a lawyer of his legal right to practice law. These units of the A.B.A., therefore, have a semi-juridical status. It would seem that the same status could be legally granted to all industries and professions whereby in each industry and profession there would be self-regulatory power delegated to regulatory bodies whereby they could formulate rules of ethical conduct which if violated would amount to a violation of contract and consequent loss of membership.

The reconstruction of the social order by the establishment of voluntary self-regulatory bodies must necessarily be a slow growth process. There must first be laid the solid foundation of a strong sense of moral responsibility upon which would be build the super-

structure of cooperation and a Christian social order.

To blueprint down to the smallest detail such a plan and to force too quickly its operation could destroy the American Capitalistic institutions upon which it must be constructed and could easily lead not to the desired reconstruction of our social institutions but to the substitution for them of a socialistic or fascistic system, which would be worse than allowing our present system to continue unchanged.

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